

## Message Text

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ACTION EB-04

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R 281632Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1750

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L BONN 12131

LIMDIS-GREENBACK

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: XGDS-1

TAGS: EFIN, GW

SUBJECT: GERMAN/FRENCH SUMMIT : DISCUSSION OF  
INTERNATIONAL MONETARY REFORM ISSUES

1. SUMMARY. WE ARE TOLD (PLEASE TREAT STRICTLY NOFORN)  
THAT GERMANS AND FRENCH MADE PRACTICALLY NO PROGRESS  
ON REACHING AGREEMENT ON SUBSTANCE OF OUTSTANDING  
INTERNATIONAL MONETARY REFORM ISSUES. FRENCH FULLY  
MAINTAINED THEIR PAST POSITION ON ALL OUTSTANDING  
ISSUES AND GAVE CLEAR INDICATION ONLY THAT THEY ARE  
WILLING TO SETTLE IMF QUOTA ISSUE SEPARATELY FROM THAT  
OF THE FUTURE EXCHANGE RATE REGIME. END SUMMARY.

2. THE FRENCH AND THE GERMANS WERE UNABLE TO COME  
ANY CLOSER TO EACH OTHER ON THE QUESTION OF LIMITING  
THE EXCHANGE RATE FLEXIBILITY BETWEEN THE DOLLAR AND  
THE EC SNAKE WITH FOURCADE STRONGLY PRESSING FOR SUCH  
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LIMITS AND APEL EQUALLY STRONGLY RESISTING. FOURCADE

TOOK THE POSITION THAT A RETURN TO FIXED EXCHANGE RATES WAS A BASIC POLITICAL QUESTION WHICH COULD NOT BE LOOKED AT FROM THE POINT OF VIEW OF TECHNICAL OBJECTIONS BY SOME "SMALL BANKER". THE BASIC QUESTION WAS TO MAKE THE WESTERN ECONOMIC SYSTEM MORE ATTRACTIVE AS COMPARED WITH THE EASTERN ONE AND A RETURN TO FIXED EXCHANGE RATES WOULD FACILITATE SOLVING ALL THE OTHER ECONOMIC PROBLEMS OF THE WEST. APEL COUNTERED THAT MAKING PROGRESS ON ECONOMIC AND BUSINESS CYCLE POLICY COORDINATION, DIVERGENT INFLATION RATES, OIL POLICY, ETC., WOULD LEAD TO MORE STABLE RATES RATHER THAN VICE VERSA.

3. NEITHER DID GERMANS AND FRENCH COME ANY CLOSER ON THE QUESTION OF GOLD WITH FRENCH FULLY MAINTAINING THEIR POSITION. DURING WORKING LEVEL MEETINGS DE LA ROISIER (SPELLING?) INDICATED THAT IN ADDITION FRENCH WERE UNWILLING TO SEPARATE OUT EITHER THE GOLD QUESTION AS A WHOLE OR THE QUESTION OF USING SOME OF THE IMF GOLD FOR AID TO THE LDC'S FROM THE QUESTION OF A RETURN TO A MORE FIXED EXCHANGE RATE REGIME. ON WORKING LEVEL, FRENCH INDICATED THAT THE ONLY QUESTION THEY WERE WILLING TO SETTLE SEPARATELY FROM EXCHANGE RATE REGIME WAS THAT OF IMF QUOTA INCREASES. OUR CONTACTS INDICATE, HOWEVER, THAT THEY ARE NOT SURE WHETHER THE FRENCH MAY NOT HAVE INDICATED THE POSSIBILITY OF SOME MORE FLEXIBILITY IN TREATING GOLD QUESTION SEPARATELY FROM EXCHANGE RATE REGIME AT THE PRIVATE DINNER ATTENDED ONLY BY MINISTERS.

4. FOURCADE INDICATED THAT HE DID NOT ENVISAGE THAT IT WOULD BE POSSIBLE TO REACH AGREEMENT AT THE UPCOMING G-10, G-5 AND IMF MEETINGS ON THE TEXT OF A PLAN FOR THE STEP-BY-STEP RETURN TO FIXED EXCHANGE RATES. THE MOST THAT COULD BE HOPED FOR AT THESE MEETINGS WAS AGREEMENT ON THE DESIRABILITY OF THE GOAL OF A RETURN TO FIXED RATES, LEAVING IT TO THE MONETARY SUMMIT PROPOSED BY GISCARD TO REACH AGREEMENT ON AN ACTUAL STEP-BY-STEP PLAN TO ACHIEVE THIS GOAL.

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5. THE FRENCH POSITION REMAINED UNCHANGED ON THE ADHERENCE OF THE SWISS FRANC TO THE EC SNAKE.  
HILLENBRAND

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## Message Attributes

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